



November 24, 2010

Mr. Michael Gelder, Chair
Ms. Julie Hamos, Vice Chair
Illinois Health Care Reform Implementation Council
State of Illinois

Dear Mr. Gelder and Director Hamos:

I am writing on behalf of Molina Healthcare, Inc. (MHI) to offer comments as requested by the Illinois Health Care Reform Implementation Council on the topic of how Illinois should reform the Medicaid service structures and enrollment systems in the state.

Molina Healthcare, Inc. has 30 years of experience serving patients who have traditionally faced barriers to obtaining quality healthcare, primarily individuals covered by Medicaid, the Children's Health Insurance Program (CHIP) and other government-sponsored health insurance programs. Molina Healthcare's operations in California, Florida, Michigan, Missouri, New Mexico, Ohio, Texas, Utah, Virginia, Washington, and Wisconsin currently serve approximately 1.5 million low-income vulnerable Americans who otherwise would be unable to obtain health insurance coverage. We also serve as the fiscal intermediary for the Medicaid programs in New Jersey, Louisiana, West Virginia, Idaho and Maine covering another 2.8 million beneficiaries.

Molina Healthcare is currently pursuing licensure as an Health Maintenance Organization (HMO) in the State of Illinois and is considering participation in the Medicaid Managed Care Program in the future.

We appreciate your commitment and efforts to ensuring the healthcare system is accessible and affordable to millions of Illinoisans. I will use the remainder of this letter to discuss Molina's views on health care initiatives affecting Medicaid.

Expansion of Medicaid Managed Care

In an effort to improve quality and provide more cost-effective care, many states have contracted with health plans that seek to improve access to coordinated health care services, including preventive care, and to control health care costs. In fact, a Lewin Group study found that the Medicaid managed care model typically yields cost savings of up to 20 percent. The Illinois Department of Healthcare and Family Services (HFS) contracts with managed care organizations to deliver services in certain counties based on a capitated payment system.

We understand that the State is facing some serious budgetary issues and Molina Healthcare wants to partner with the State in addressing these issues. Illinois has the opportunity to save millions of dollars per year by expanding Medicaid managed care statewide.

Mandatory Enrollment of ABDs into Medicaid Managed Care

Illinois HFS recently established the state's first-ever integrated health care program for seniors and persons with disabilities in the Medicaid program. While the aged, blind, and disabled (ABD) population typically makes up a small percentage of Medicaid beneficiaries, they also represent one of the highest-cost categories within the Medicaid program. In an effort to improve care coordination for this special needs population, we recommend the ABD population should be required to enroll within a Medicaid managed care program.

These individuals require tremendous amounts of services, care management and coordination. Health plans such as Molina provide such access to care and will provide the necessary services and benefits to meet their needs. Medicaid managed care organizations have demonstrated that they can yield cost savings while improving Medicaid beneficiaries' access to services. In fact, a recent analysis of twenty-four studies by The Lewin Group suggests that the Medicaid managed care model typically yields cost savings even among the ABD population.

Increased Funding of Medicaid

The Medicaid program is substantially under-funded, and payments to physicians, hospitals, and health plans must be increased in order to maintain access to care. It is critical that as the federal and state governments attempt to manage health care costs in the Medicaid program that these attempts not undermine access to care.

We urge you to consider the importance of maintaining adequate payments to Medicaid providers and health plans caring for Medicaid patients. Health plans such as Molina Healthcare have a demonstrated record of improving health care access and quality for their Medicaid enrollees. It is critical that any Medicaid funding increases include protections for the millions of beneficiaries who rely on Medicaid health plans. Molina also strongly supports the enforcement of requirements that state Medicaid programs must establish health plan payment rates in an actuarially sound manner. Actuarial soundness is a critical protection for Medicaid and CHIP beneficiaries and allows sustainability of coordinated care programs.

Non-Contracted Providers

Illinois faces a fiscal crisis of unprecedented magnitude with a \$15 billion budget deficit. At the same time, revenue resources are dwindling and the state is experiencing, and will continue to experience, a dramatic increase in demand for government sponsored health care programs such as Medicaid. Molina Healthcare strongly supports a budget savings solution that will control costs, save the state money and preserve our vital government programs that serve the medically needy.

This proposal is a simple one that some states have employed to control costs and ensure that not one health care dollar is wasted. It is a fair proposal that will allow HFS to use precious dollars for covering the growing enrollment in the program. Currently, some providers will not contract with health plans for anything less than a rate equivalent to commercially insured programs or more. This drives up overall costs to the Illinois Medicaid program.

A critical area of savings can be achieved within the Medicaid program by expanding the Rogers Amendment to the Deficit Reduction Act of 2005, which limited the amounts that Medicaid managed care plans pay to non-contracted providers for emergency care. It is critical that the Rogers Amendment is expanded to include all non-contracted Medicaid health services, not just emergency care, in an effort to ensure adequate access for beneficiaries and provide appropriate incentives for providers to participate in these programs. This change effectively mirrors what the federal government has already done in Medicare and will lead to significantly lower costs in the Medicaid program for Illinois.

Optional Participation in Exchanges for Medicaid-only Health Plans

Medicaid health plans should be given the option to participate in state Exchanges without negatively impacting their ability to contract with a state to provide Medicaid benefits for eligible beneficiaries. Experts anticipate a large number of participants will move between the Exchange, Medicaid, and CHIP, and some suggest this movement may be more seamless if Medicaid-plans are participants in the Exchange.

Molina Healthcare focuses exclusively on serving a vulnerable population that relies on government-funded health programs. As such, we are better equipped to provide the specialized care and services the Medicaid and CHIP populations require. Should health plans with Medicaid contracts in a particular state be required to participate in the Exchange, many not-for-profit and Medicaid-specialized health plans like Molina (that do not offer commercial products) may be pushed from the marketplace as they may not be able to compete against larger, multi-line plans with significantly more experience and back-office capacity in the commercial market. As a result, the quality and continuity of care, and access provided to the Medicaid population may be jeopardized.

Outreach and Simplified Enrollment Efforts

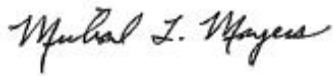
One concern with current government-sponsored health coverage programs is that many Americans are eligible for these programs but are not enrolled. Many remain uninsured because parents and individuals lack the necessary knowledge about the programs and enrollment procedures. Expansion of coverage will only be effective if the individuals who are eligible are enrolled. Many opportunities exist to reach those individuals and children who are eligible for Medicaid and CHIP.

Molina Healthcare recommends that steps be taken to enroll all persons in health care programs for which they are eligible by improving, streamlining, simplifying and enabling electronic and uniform applications and eligibility and renewal procedures and

by providing continuous coverage to beneficiaries of government-sponsored programs. Innovative outreach programs should be put into place to help identify and enroll as many eligible persons as possible.

Thank you for your commitment to ensuring the healthcare system is accessible and affordable to low-income Illinoisans. Thank you for your consideration. Please feel free to contact me should you need additional information.

Sincerely,

A handwritten signature in cursive script, reading "Michael L. Mayers". The ink is dark and the signature is fluid, with a prominent loop at the end of the last name.

Michael Mayers
Vice President, Policy and Government Advocacy